



# **2009 HIGHER EDUCATION OPERATING BUDGET OVERVIEW**

**Ways & Means Staff Presentation  
to the  
Senate Higher Education & Workforce  
Development Committee  
January 14, 2009**

# Topics Addressed in Today's Briefing

- **Overview of Current Public Higher Ed Spending**
  - funding levels & sources by institution
  - expenditures by purpose/function
- **Higher Ed in Broader Budget Context**
  - share of total state budget
  - growth trends
  - 2009-11 state budget situation
  - Governor's proposals for 2009-11

## **Background & Context for Key 2009:**

- Enrollment Decisions
- Tuition & Financial Aid Decisions

The state is budgeted to spend about \$4.3 billion this biennium to cover part of the cost of post-secondary education for approximately 233,000 full-time equivalent (FTE) students.

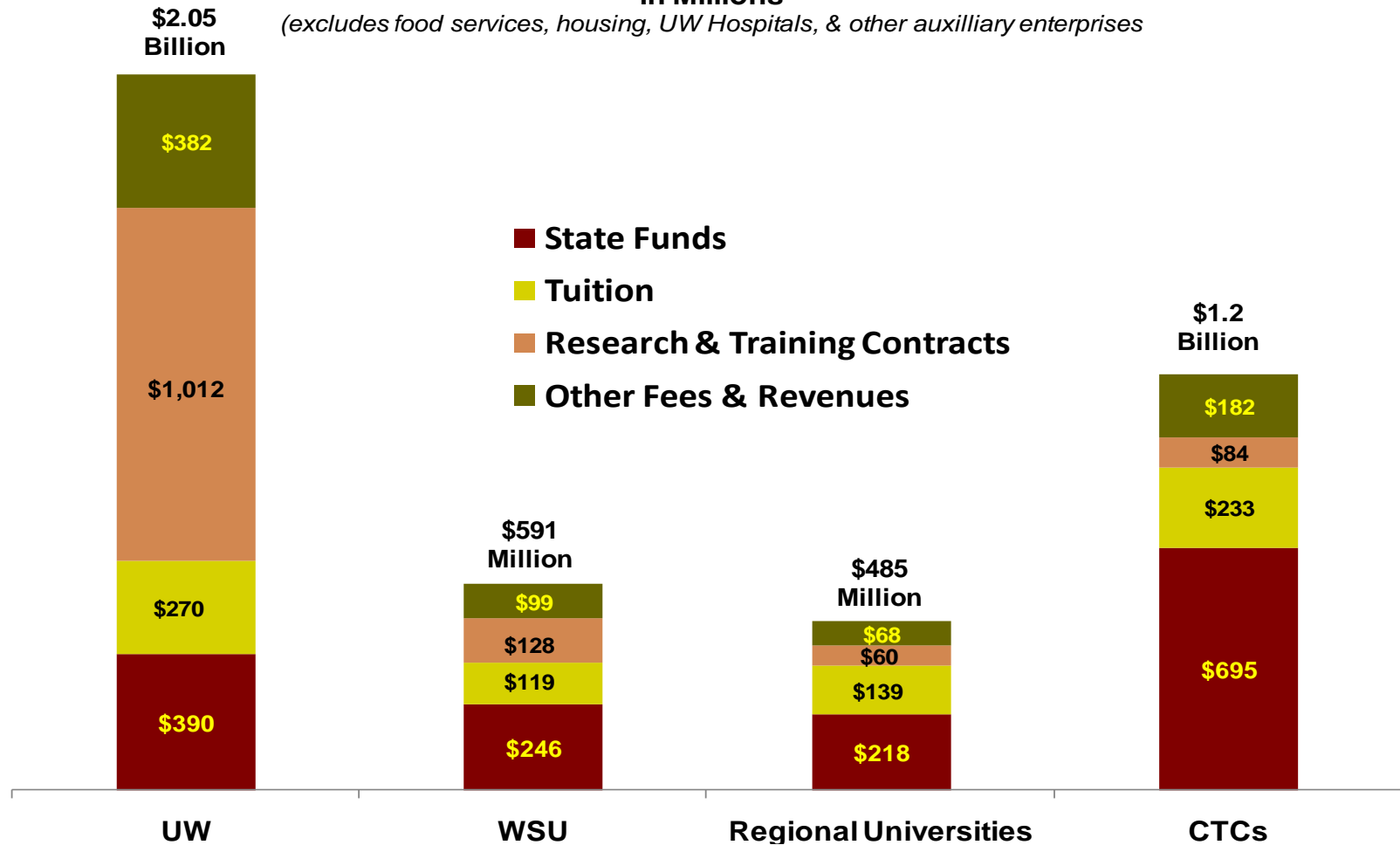
	2007-09 State* Funding		FY 08 FTE Students	
	in Millions	% of Total		% of Total
<b>Research Universities</b>	<b>\$1,296</b>	<b>41%</b>	<b>59,860</b>	<b>26%</b>
University of Washington (UW)	\$792		37,526	
Washington State (WSU)	\$503		22,334	
<b>Regional Universities</b>	<b>\$444</b>	<b>14%</b>	<b>34,451</b>	<b>15%</b>
Central (CWU)	\$116		8,931	
Eastern (EWU)	\$117		9,111	
Evergreen (TESC)	\$64		4,269	
Western (WWU)	\$146		12,140	
<b>Community &amp; Technical Colleges</b>	<b>\$1,437</b>	<b>45%</b>	<b>136,723</b>	<b>59%</b>
<b>Higher Education Coordinating Board</b>	<b>\$474</b>			
Planning & Admin	\$14			
Direct Financial Aid	\$460			
<b>Debt Service on Capital Bonds</b>	<b>\$622</b>			
	<b>\$4,272</b>	<b>100%</b>	<b>231,034</b>	<b>100%</b>

\* "State" includes General Fund-State, Education Legacy, and Pension Stabilization Accounts.

Last year, the public higher ed institutions spent about \$2.8 billion from non-state sources on their academic and research missions.

### FY 08 Operating Expenditures in Millions

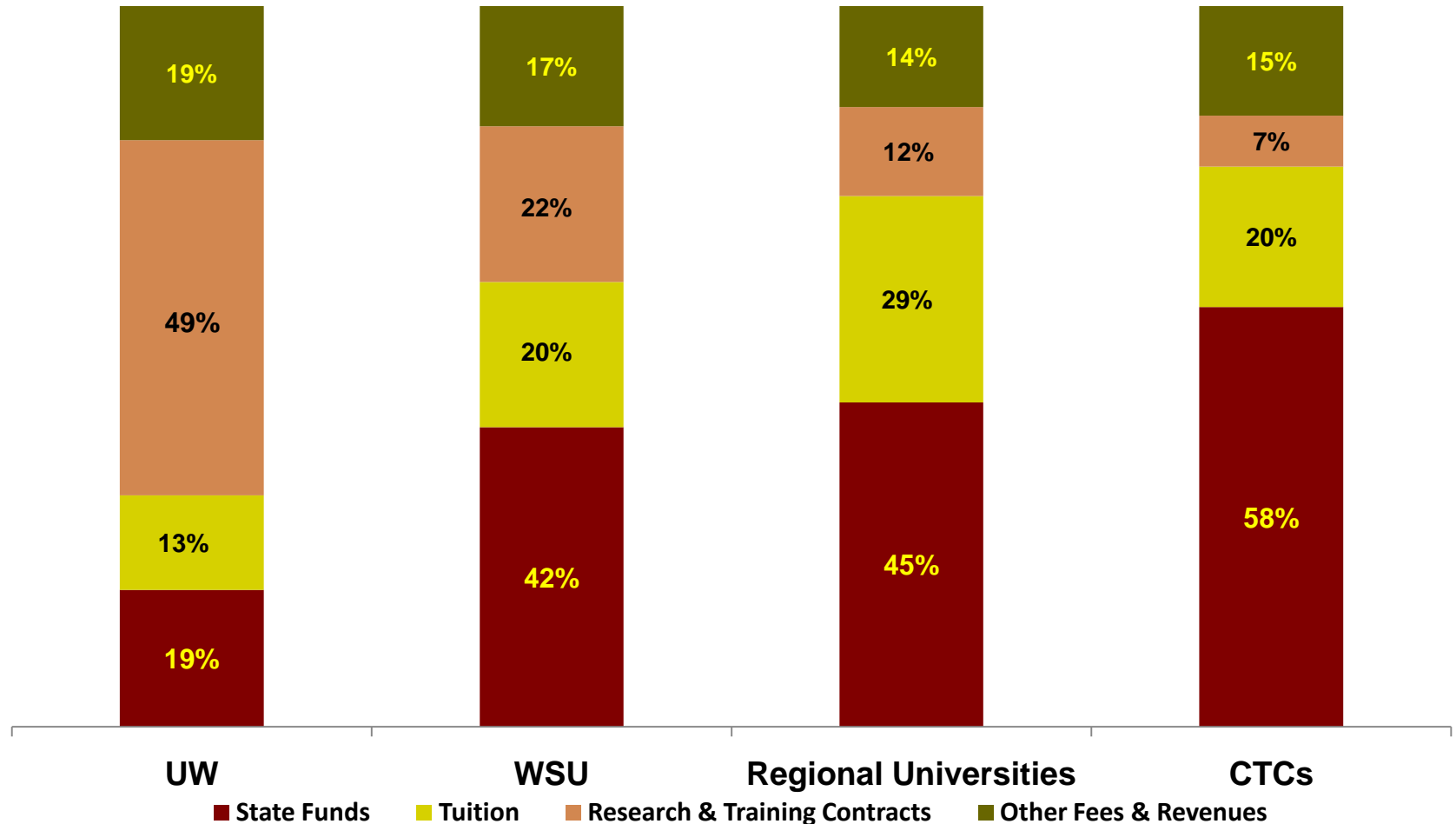
*(excludes food services, housing, UW Hospitals, & other auxilliary enterprises)*



# The portion of operations covered by state funds and tuition varies significantly by institution.

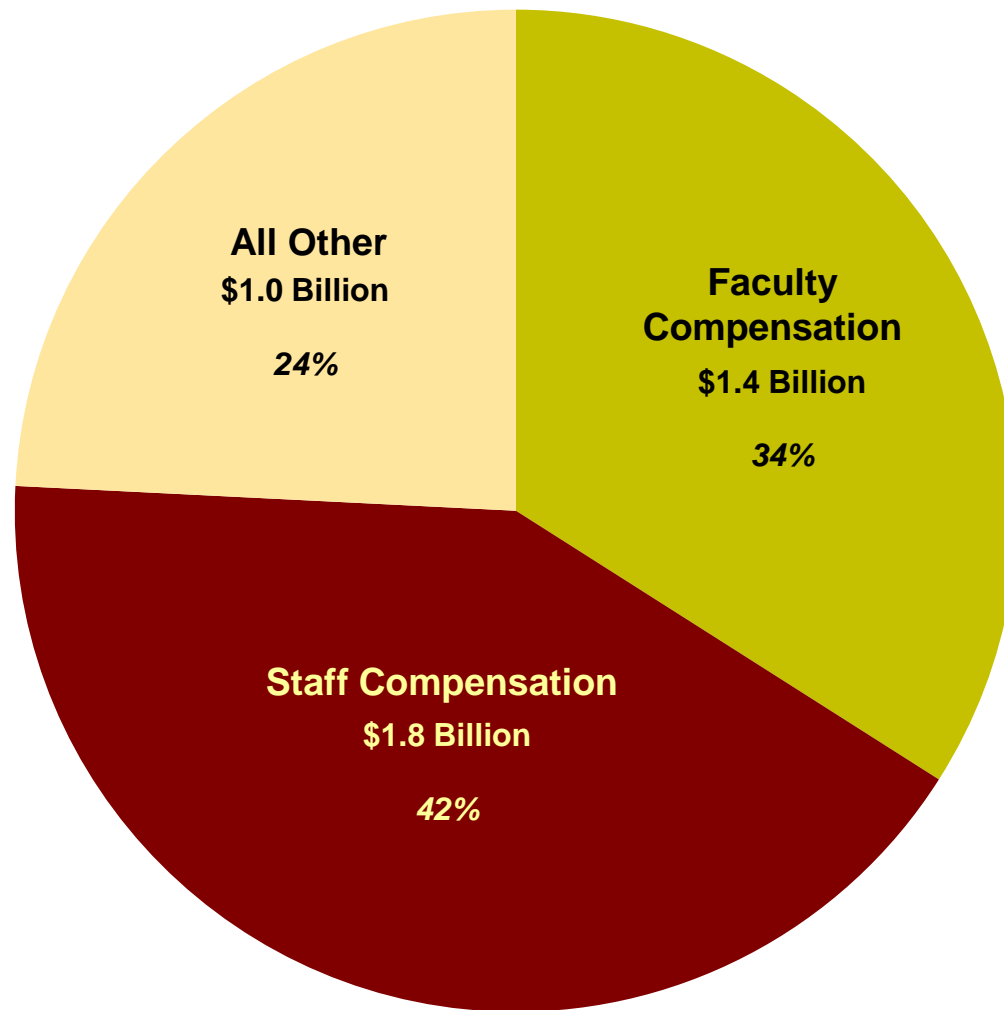
## FY 08 Operating Expenditures

*excludes food services, housing, UW Hospitals, & other auxilliary enterprises*

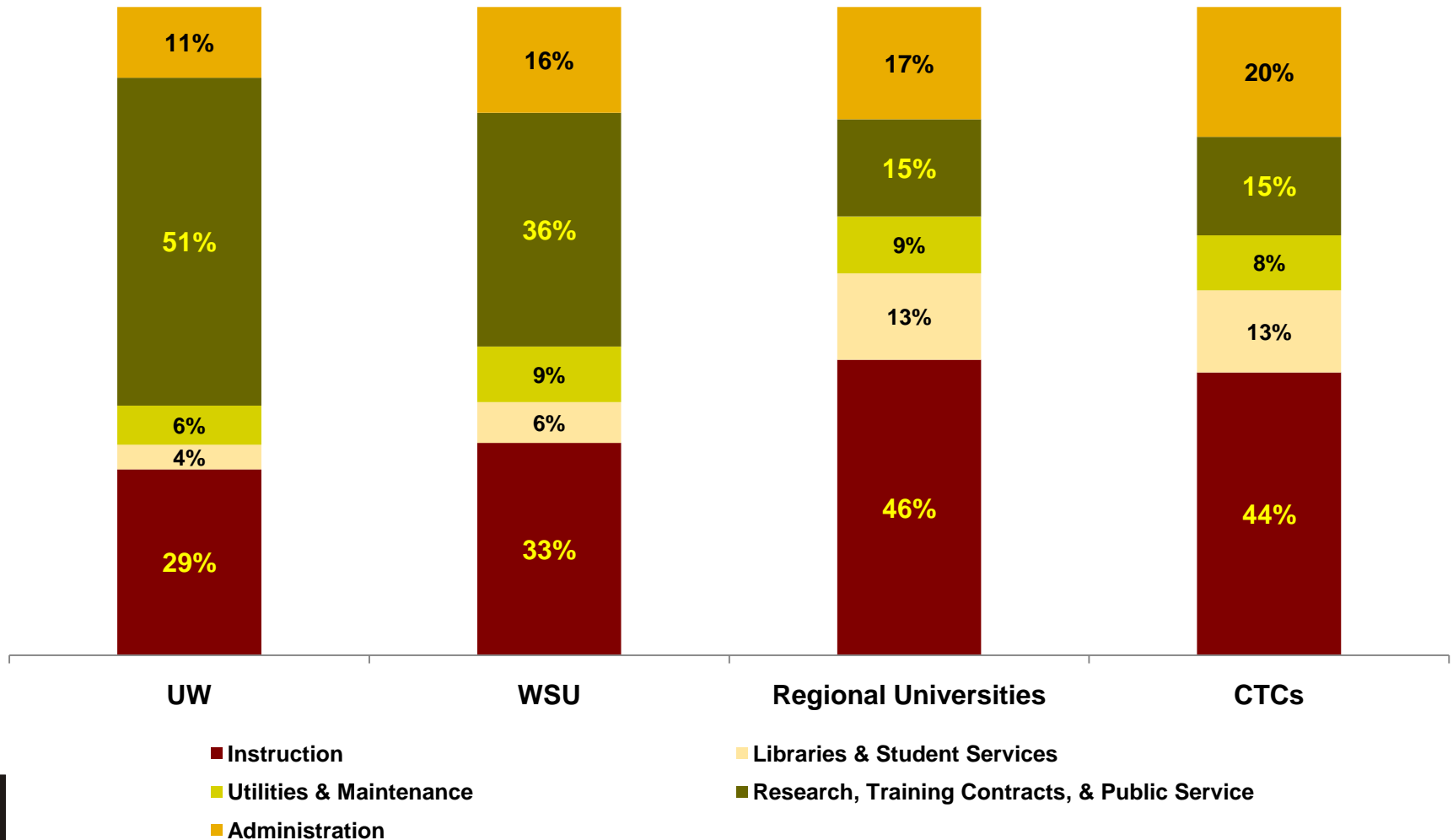


# Compensation accounts for three-quarters of higher ed expenditures.

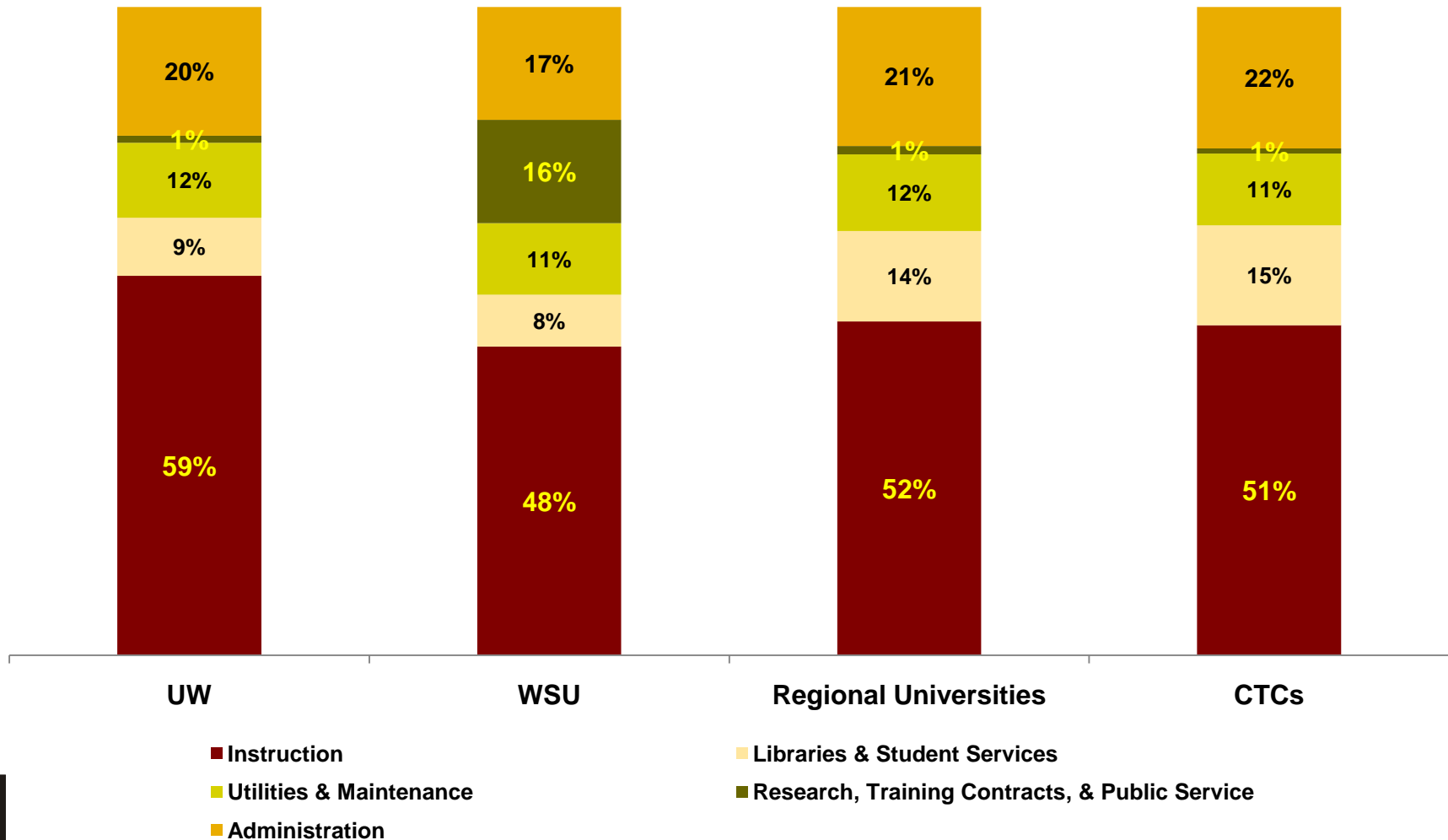
**FY 08 Operating Expenditures**  
*excluding auxilliary enterprises*



About one-third of “all fund” expenditures are for instruction, and another third are for research, though this varies by institution.



About two-thirds of “state funds + tuition” are spent on instruction and student services, and 20% on academic & institutional administration.



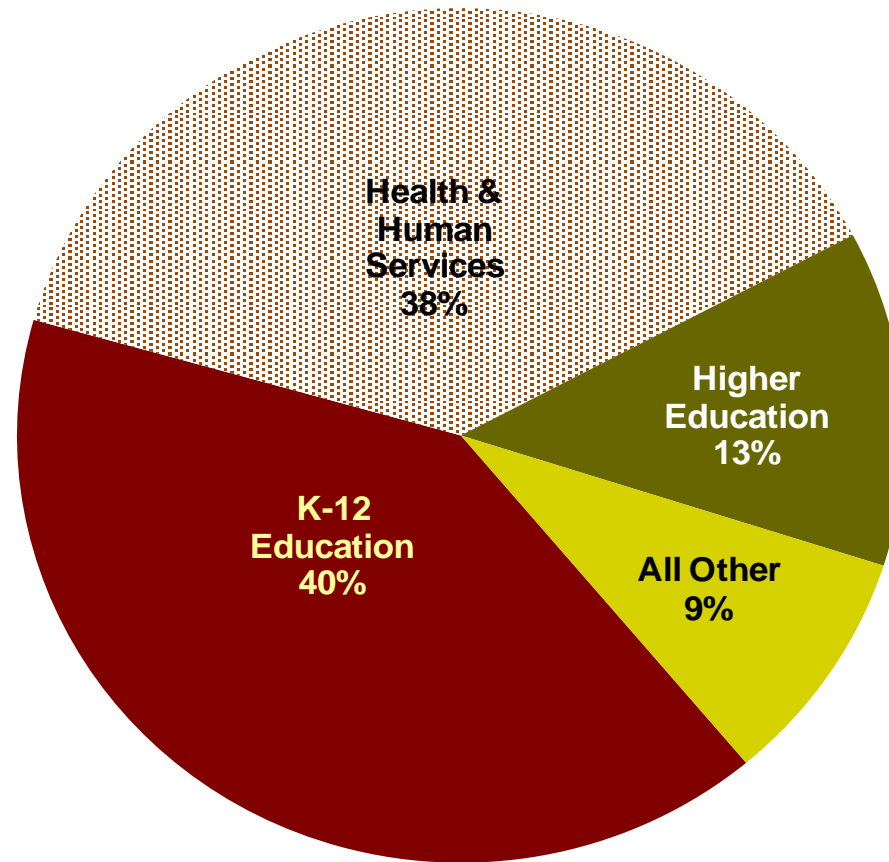




# **HIGHER EDUCATION AND THE BROADER BUDGET CONTEXT**

Higher Ed is the third largest component of the state budget, and the largest for which spending growth isn't driven by state or federal mandates.

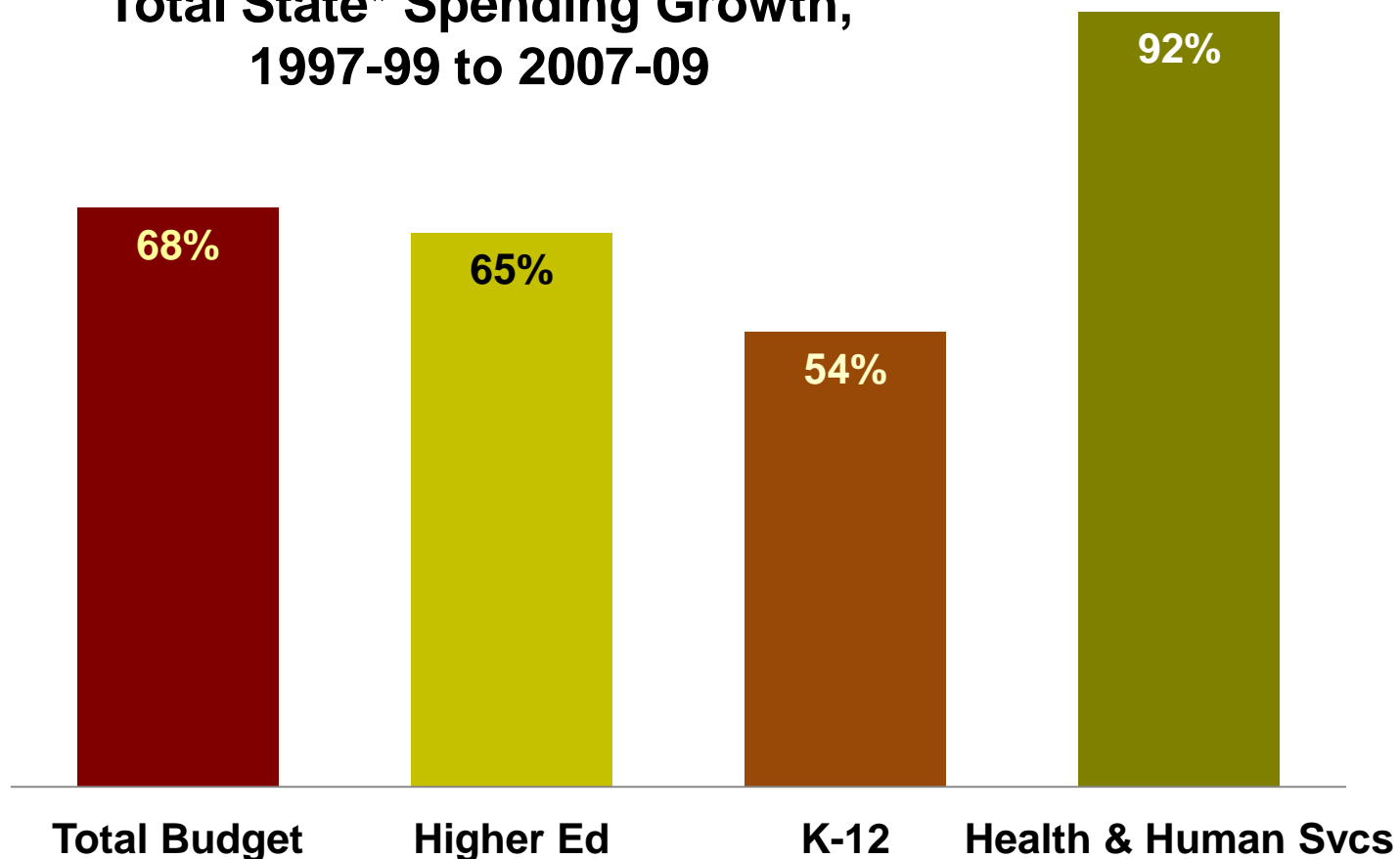
## 2007-09 State\* Operating Appropriations



*\*\* Higher Ed share includes allocated capital construction debt service. For other programs, debt service is included in the "all other" total.*

State spending on higher education has increased at about the same rate as the total operating budget, but less rapidly than spending on human services programs.

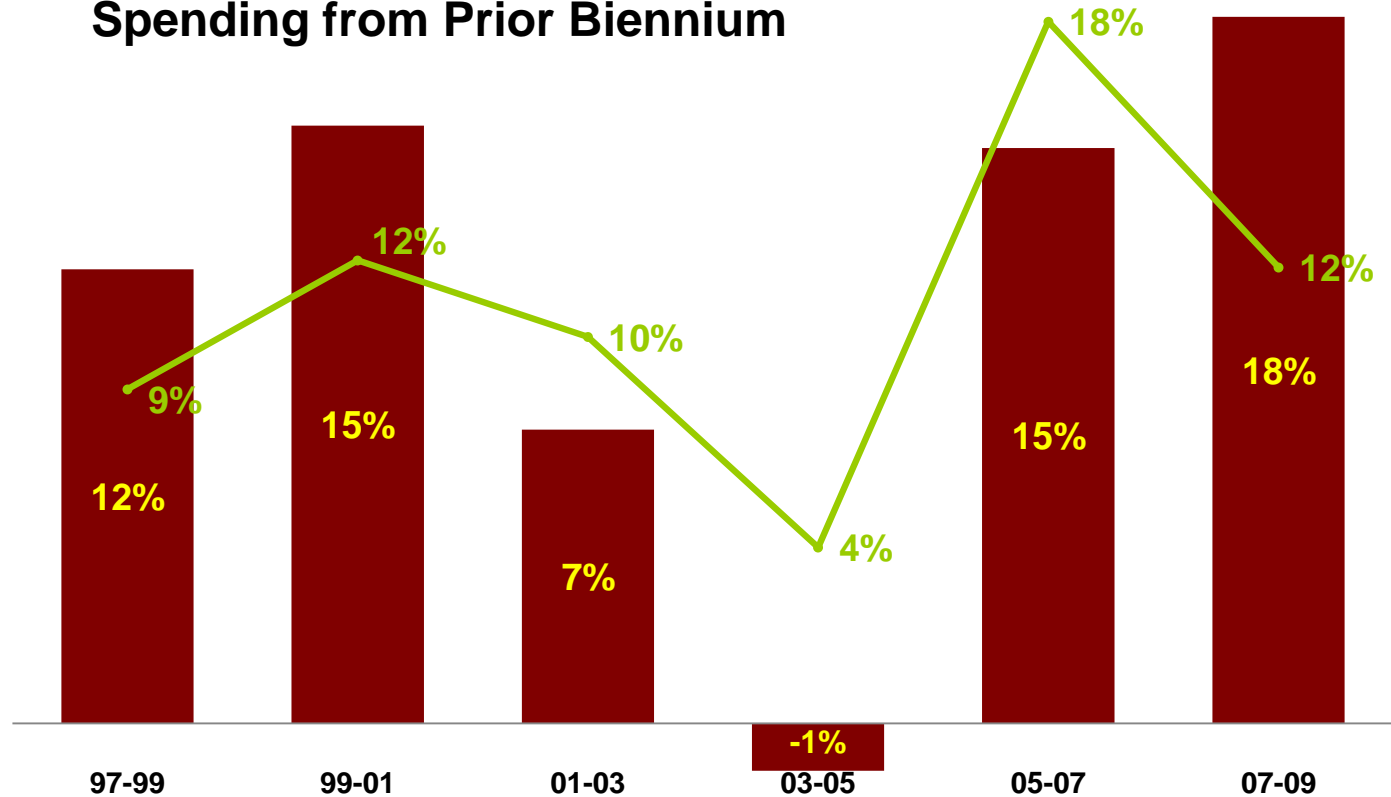
**Total State\* Spending Growth,  
1997-99 to 2007-09**



*\*"State" = Near General Fund.*

State appropriations for higher education have been highly cyclical --they grow faster than total state government in good economic times, and slower in bad.

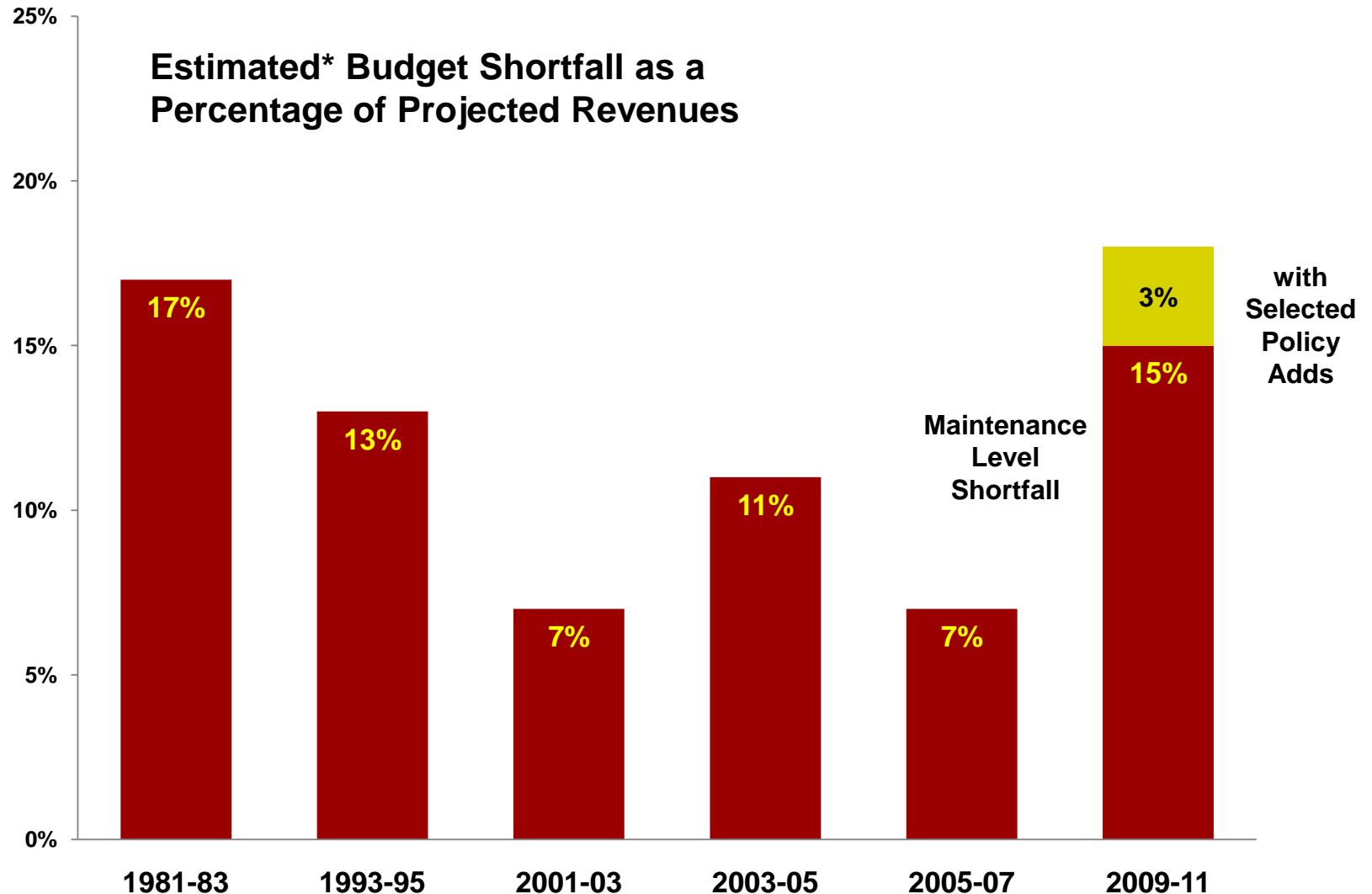
**Percent Growth in State\*  
Spending from Prior Biennium**



■ Higher Education    — Total State Spending

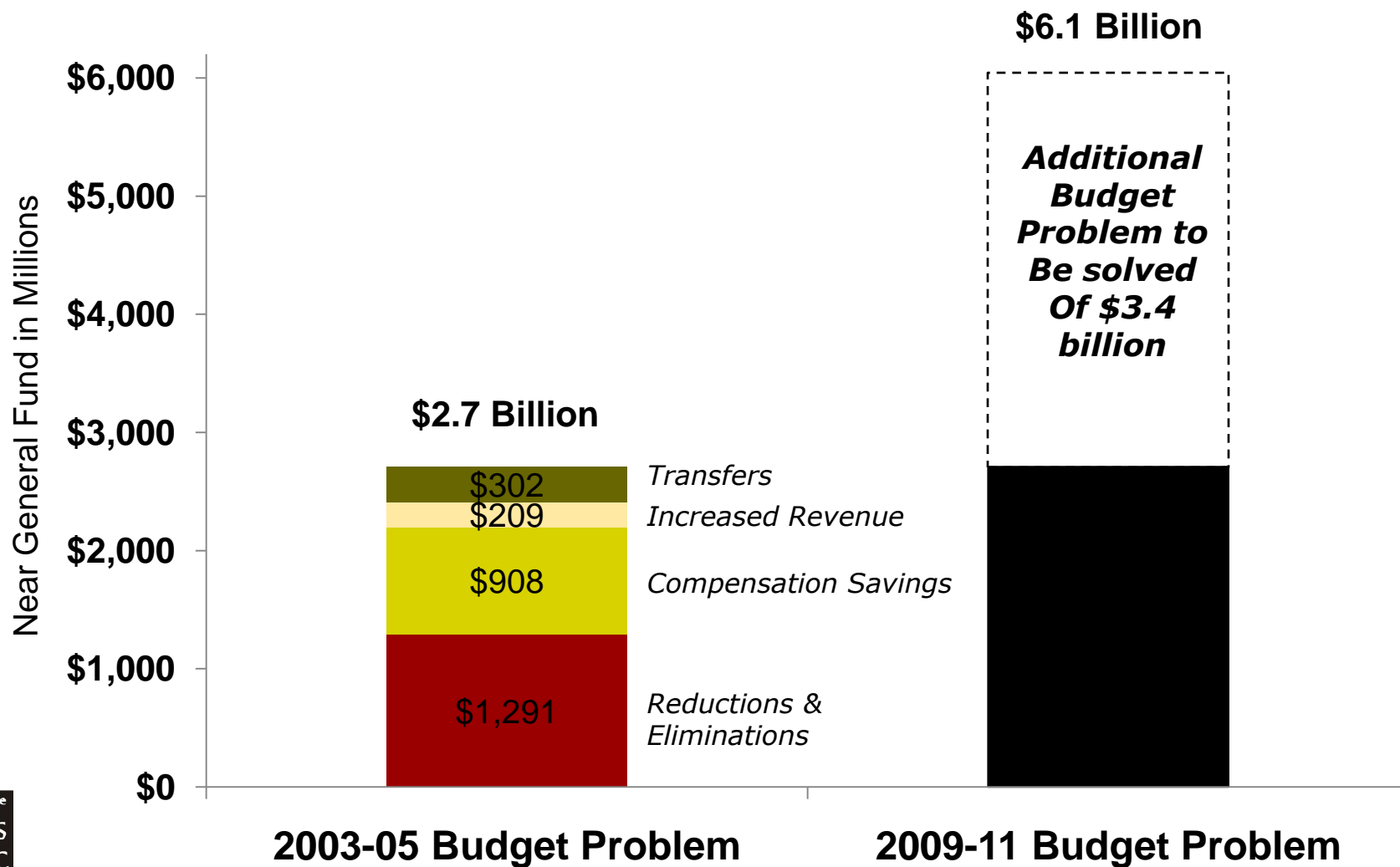
\*"State" = Near General Fund.

# Washington is facing a budget shortfall of at least \$5-\$6 billion, its worst in 30 years.

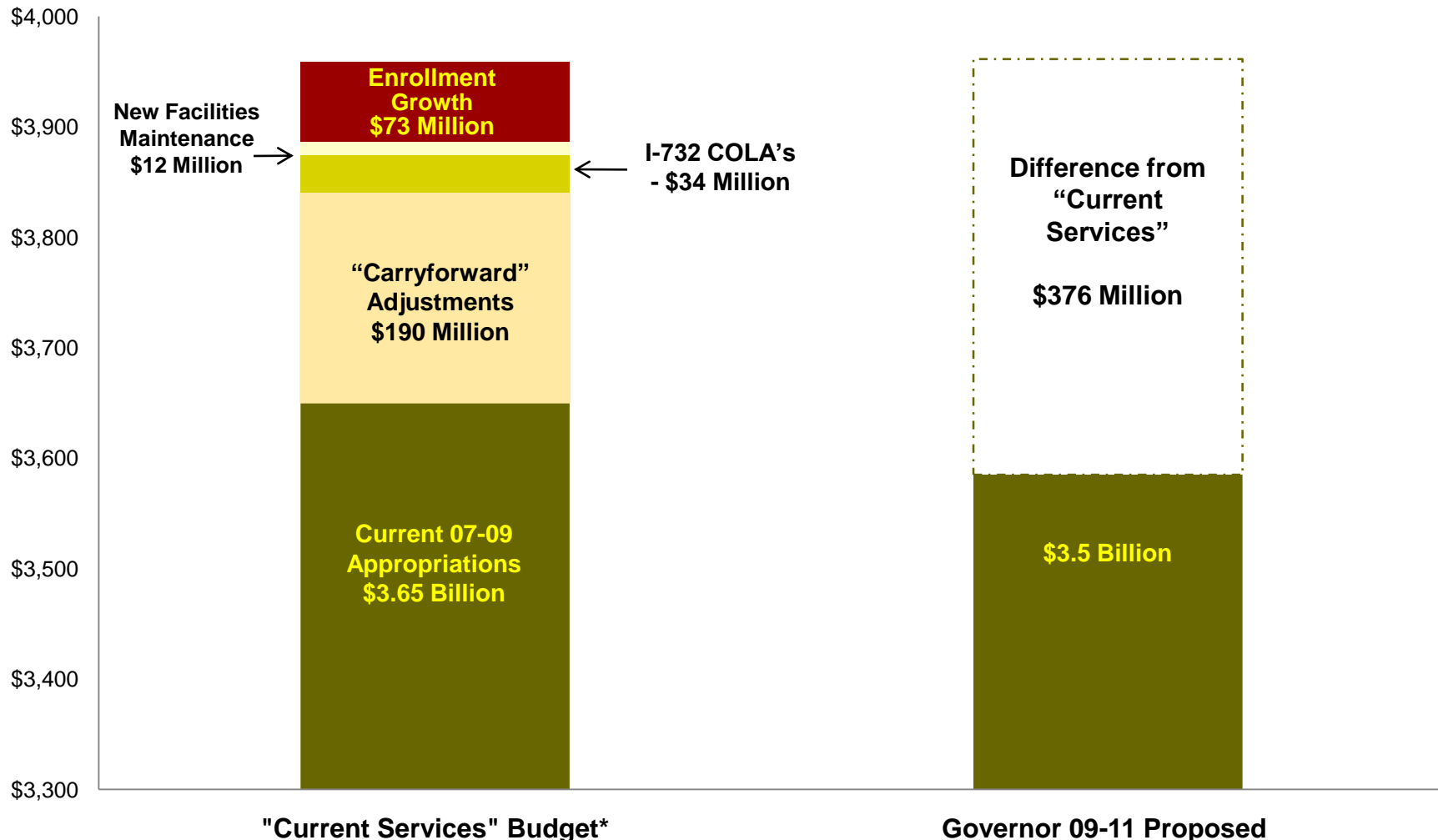


\* Estimated budget shortfalls for prior biennia based on available legislative documents. In some cases, information for prior fiscal periods may not be comparable.

If the Legislature were to take actions similar to those taken in 2003-05, there would still be a budget problem of over \$3 billion.



The Governor's proposed 2009-11 operating budget is about \$375 million (10%) below the minimum level that would be needed to maintain current Higher Ed programs and policies.



\* Current services estimate does not include any non-mandatory compensation increases; inflation on goods and services; or funding to support 10,000 current enrollments above budgeted levels.

# Major provisions of the Governor's proposed 2009 Supplemental and 2009-11 Operating budgets.

## ***Across-the-Board Reductions***

- \$70 million (4.2% average) supplemental reduction to all higher ed programs, except financial aid.
- \$258 million (13% average) 2009-11 reduction to all 4-year institutions.
- \$94 million (6%) 2009-11 reduction to community & technical colleges (CTCs).
- broad discretion to institutions regarding implementation.

## ***Tuition & Fee Increases***

- resident undergraduate tuition increases of up to 7% each year at 4-year institutions, and 5% each year at CTCs.
- comparable increases assumed for graduate students and non-residents.
- no proposed authority for institutions to increase broad range of course, activity, lab, or other fees for which legislative authorization required by I-960.



# Major provisions of the Governor's proposed 2009 Supplemental and 2009-11 Operating budgets.

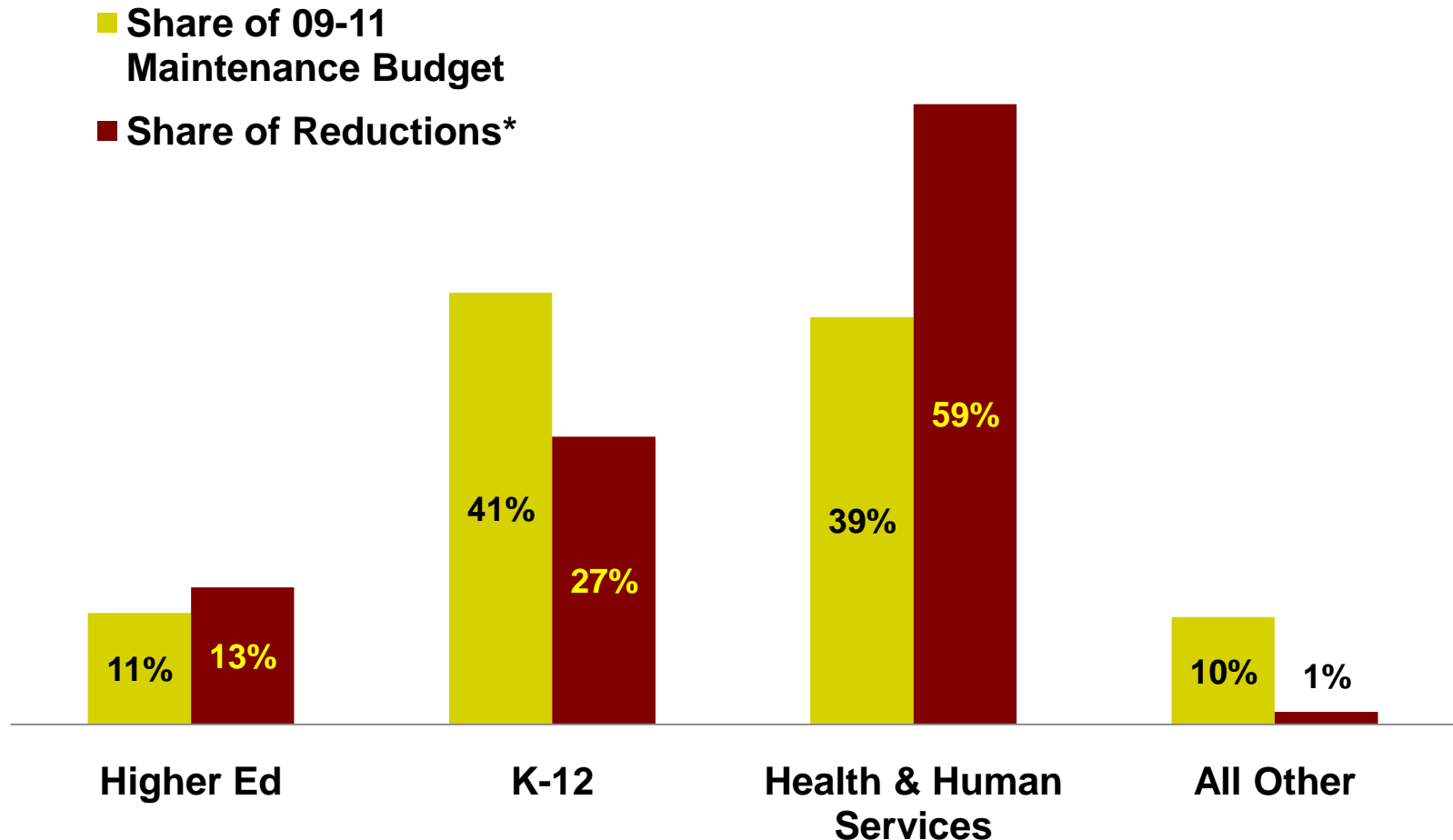
## ***State Financial Aid Programs***

- basic award amounts increased to offset resident undergrad tuition increases, except at private 4-year schools.
- eligibility for State Need Grant reduced to 65% of median (\$49,000 for family of 4) from 70% (\$52,500).
- State Need Grants reduced by ~5% for incomes over 50% of median.

## ***Enrollment Growth***

- no state funding to increase enrollment above current budgeted (235,000 FTE) or projected actual (245,000 FTE) levels.
- no minimum expected 09-11 enrollment levels specified in appropriations act, but institutions encouraged to minimize impacts to students.
- institutions directed to maintain 2003-2007 average degree production in 8 high employer demand fields.

# On a percentage basis, the Higher Ed reductions are not as deep as proposed for health and human services programs.

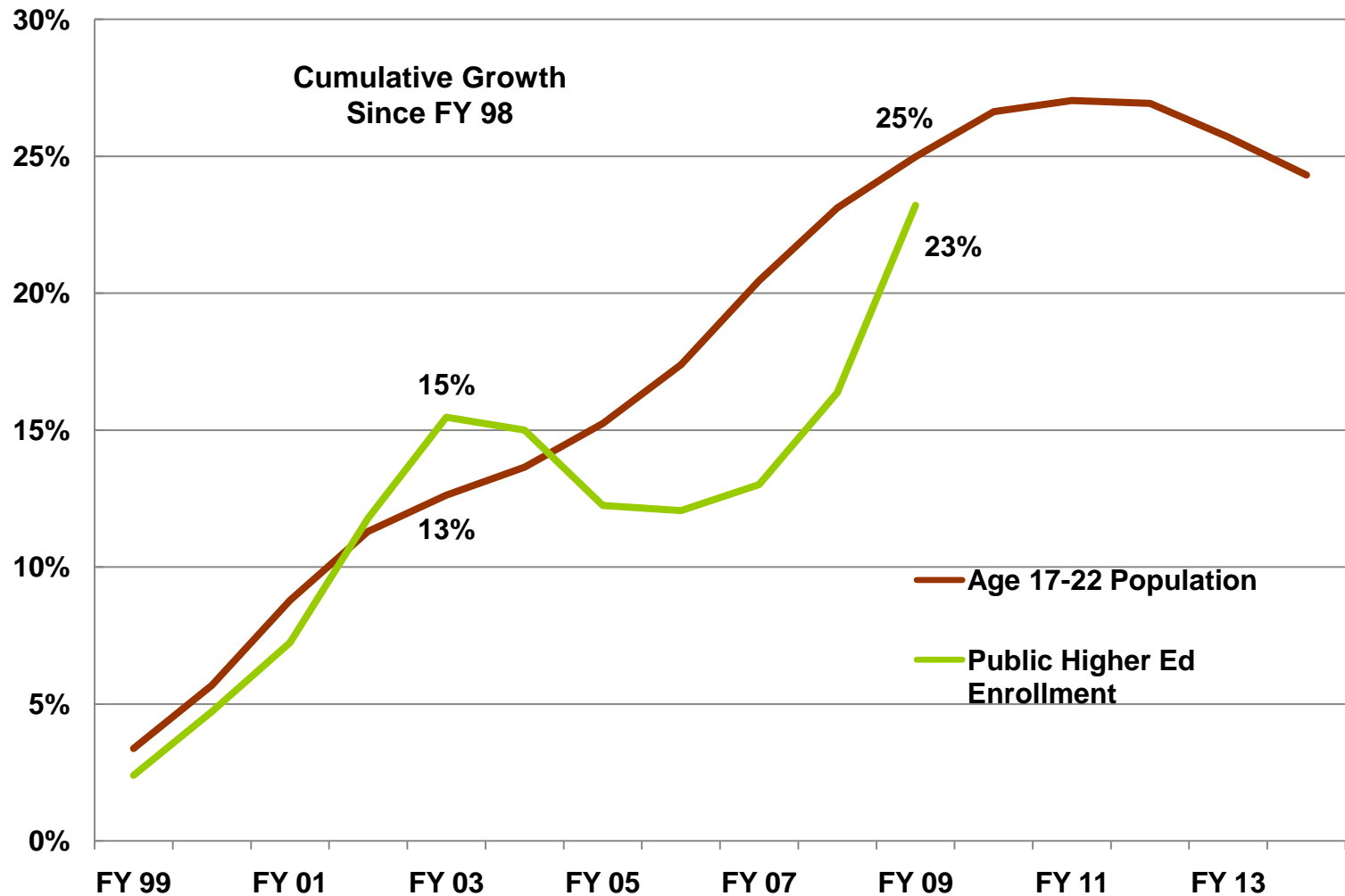


\* Net change after reductions and increases, but excludes assumed federal funding increases, and non-mandatory compensation adjustments (i.e. health benefit increases, pension changes, and COLA's other than I-732.)

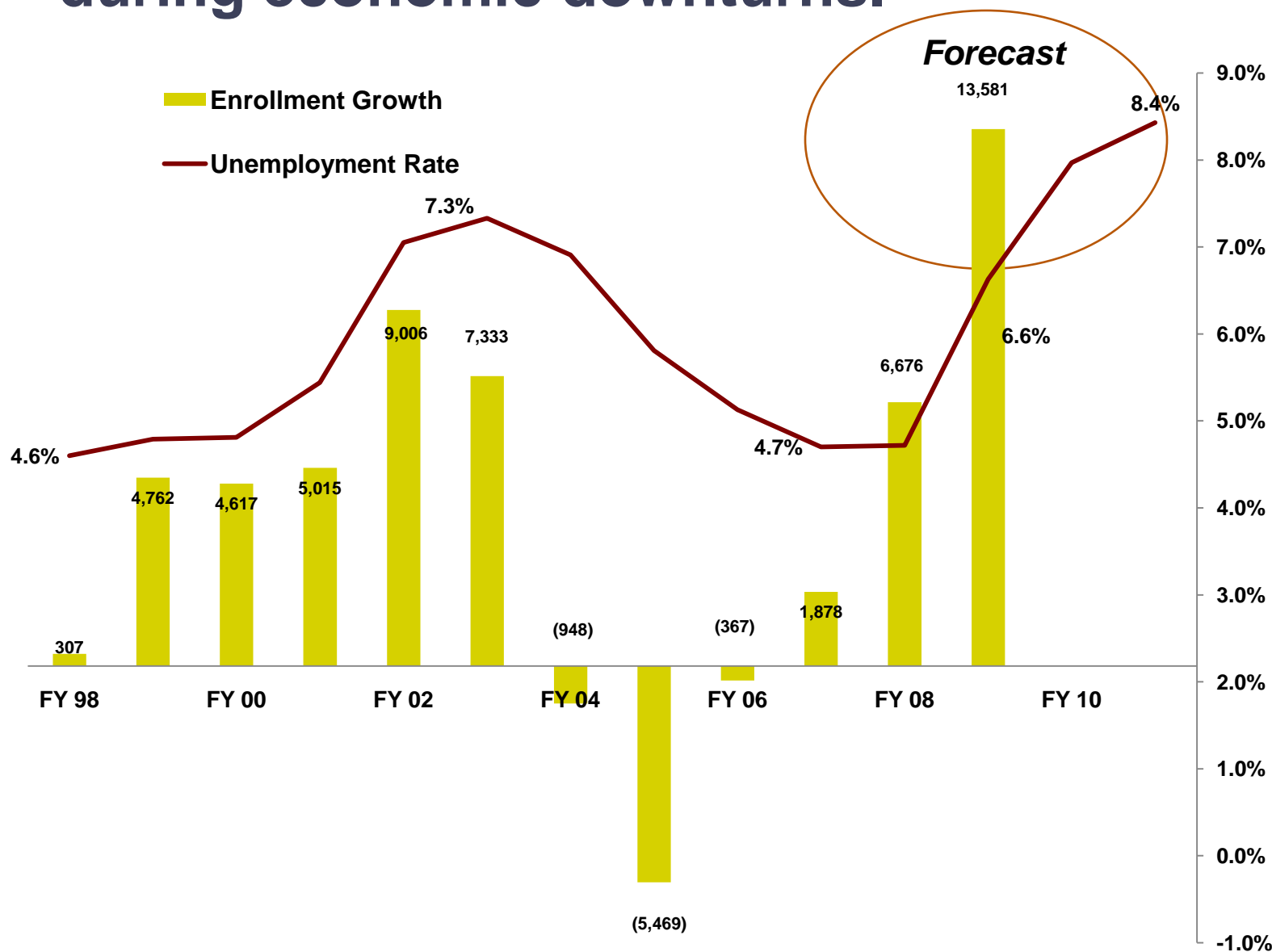
# ENROLLMENT TRENDS & ISSUES

***There is likely to be unprecedented demand for enrollment at the state's colleges & universities in 2009-11, for a number of reasons.***

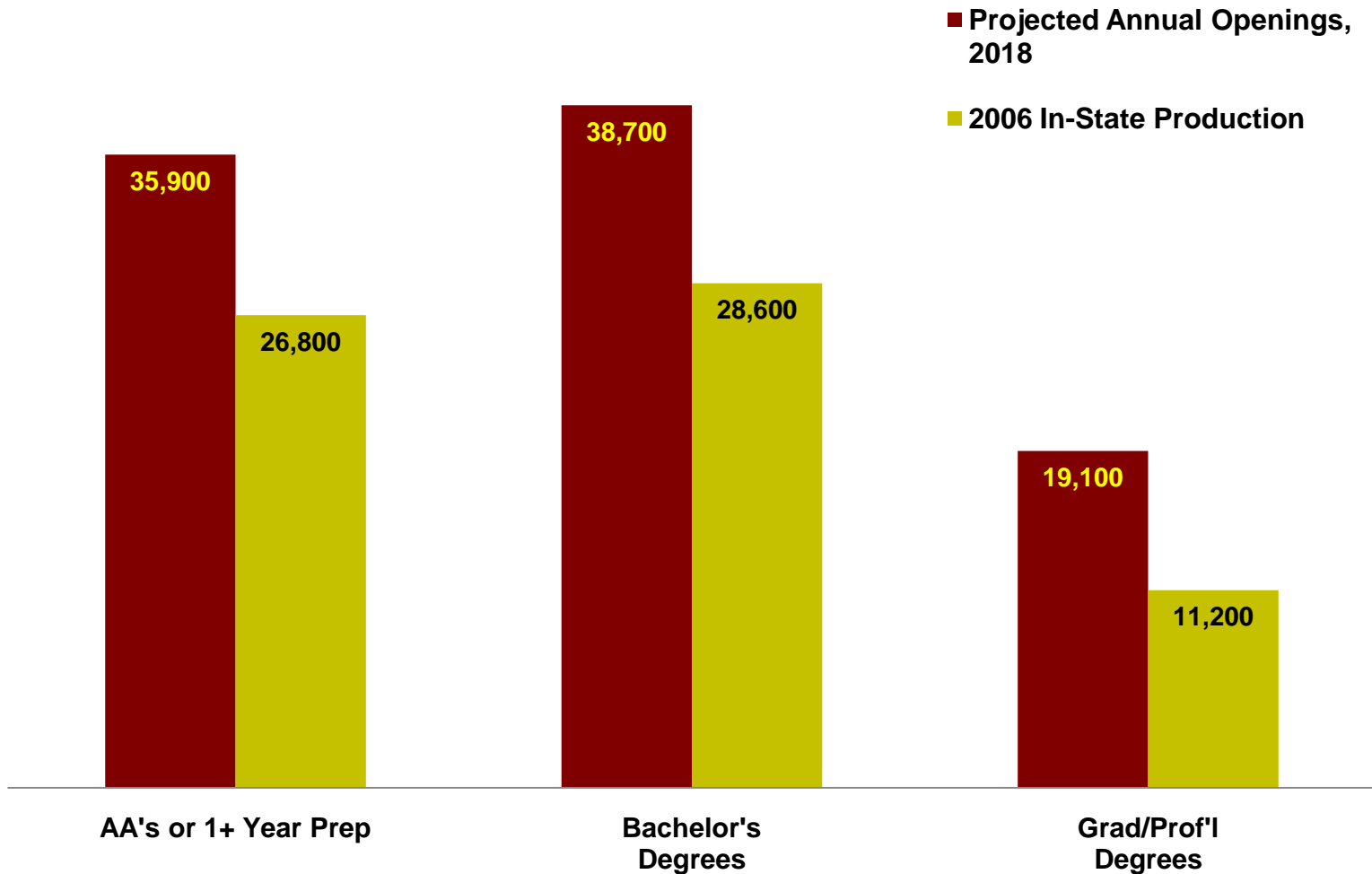
The “baby boom echo”, which has been the primary driver of enrollment growth over the past decade, will peak in 2009-11.



# Demand for public higher education peaks during economic downturns.



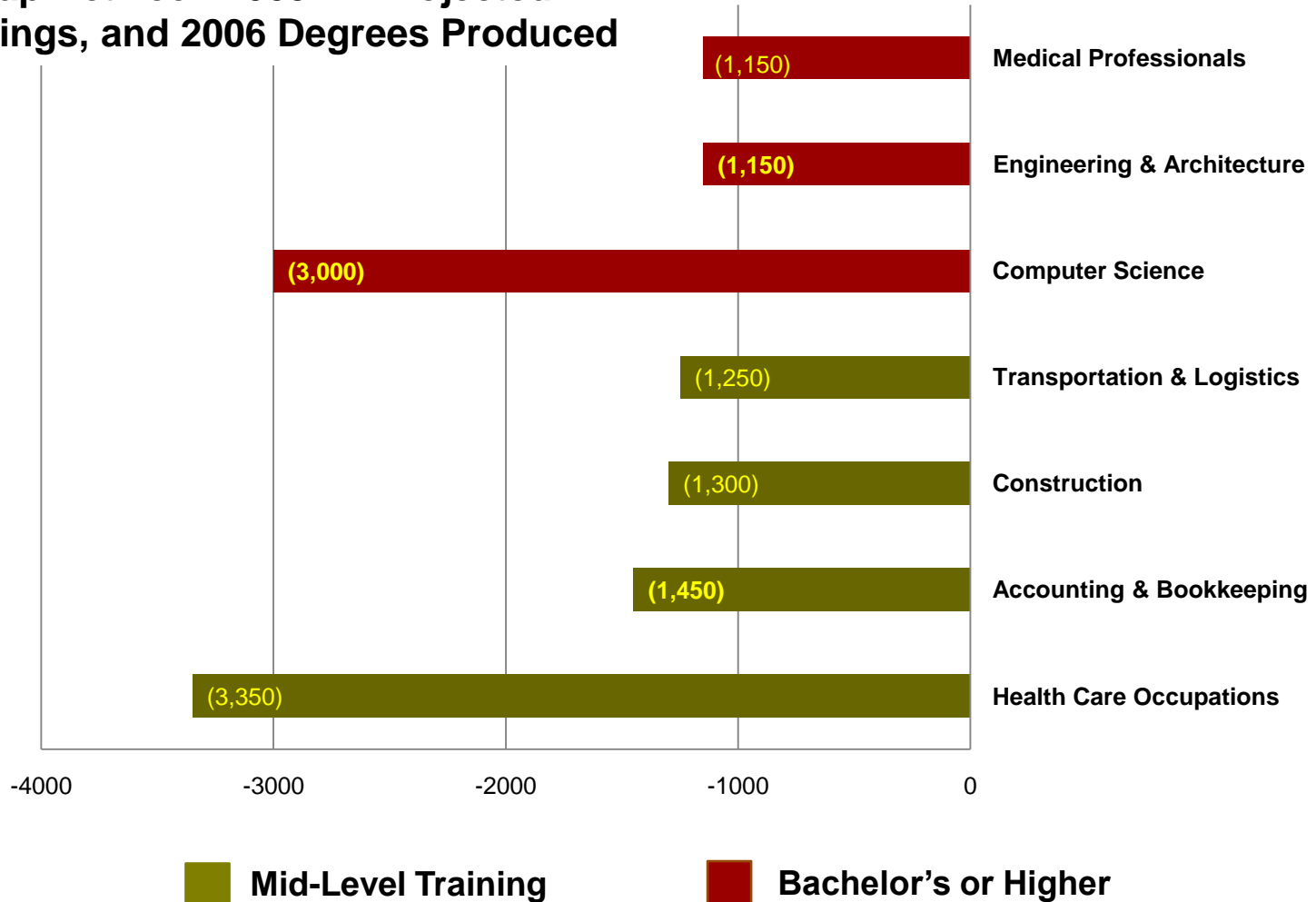
**The Higher Education and the Workforce Training & Education Coordinating Boards estimate that current degree production is significantly less than projected demand.**



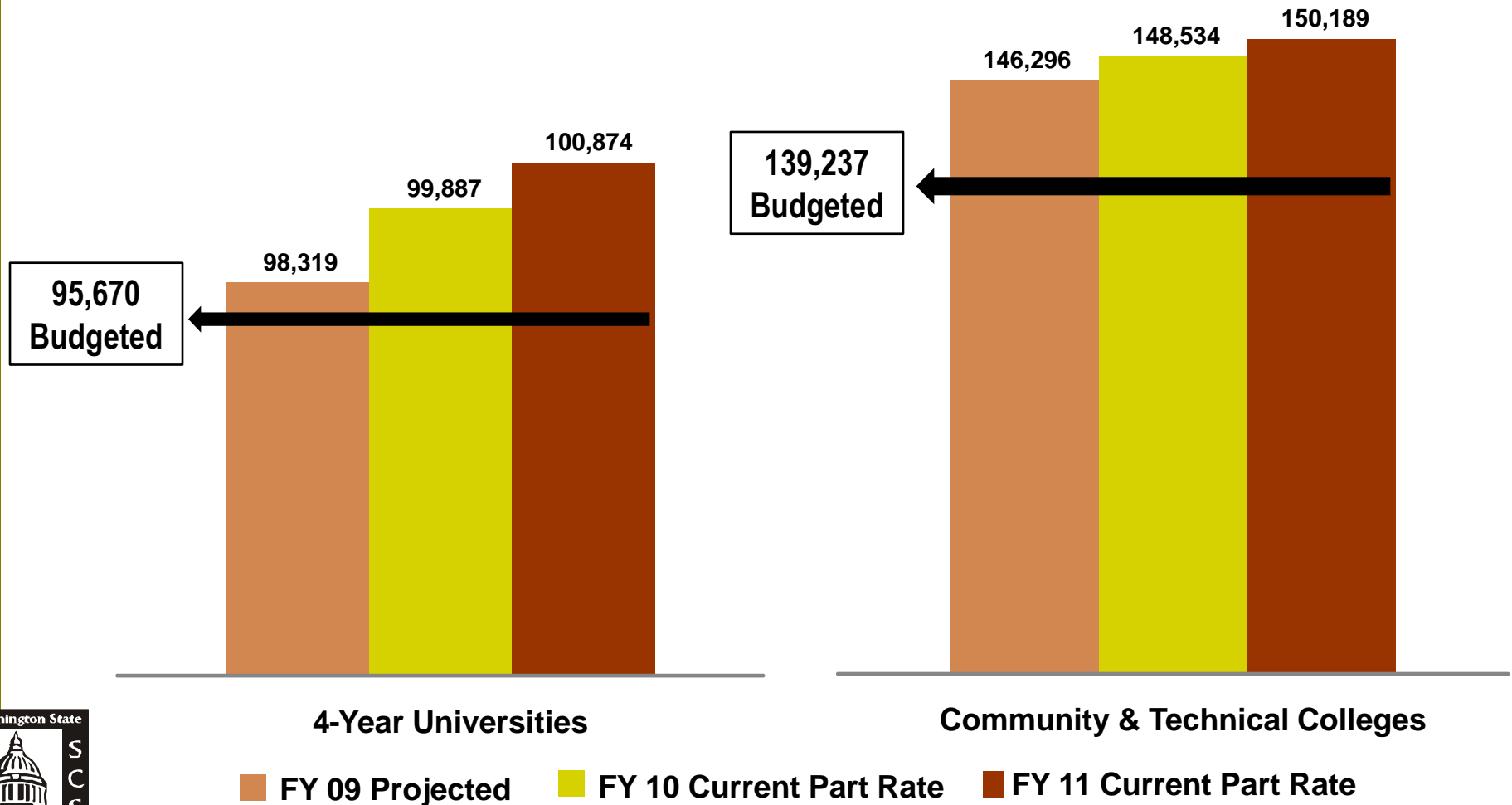
Source: Higher Education Coordinating Board, *Findings of the Economic Needs Assessment Work Group*, October 2008.

# Shortages are expected to be particularly significant in a number of high-growth fields.

Gap Between 2009-14 Projected Openings, and 2006 Degrees Produced



Enrollment would need to increase by 6,000 FTEs next biennium to maintain current levels of access, and by 10,000 more than that if institutions cannot sustain current levels of “over-enrollment”.



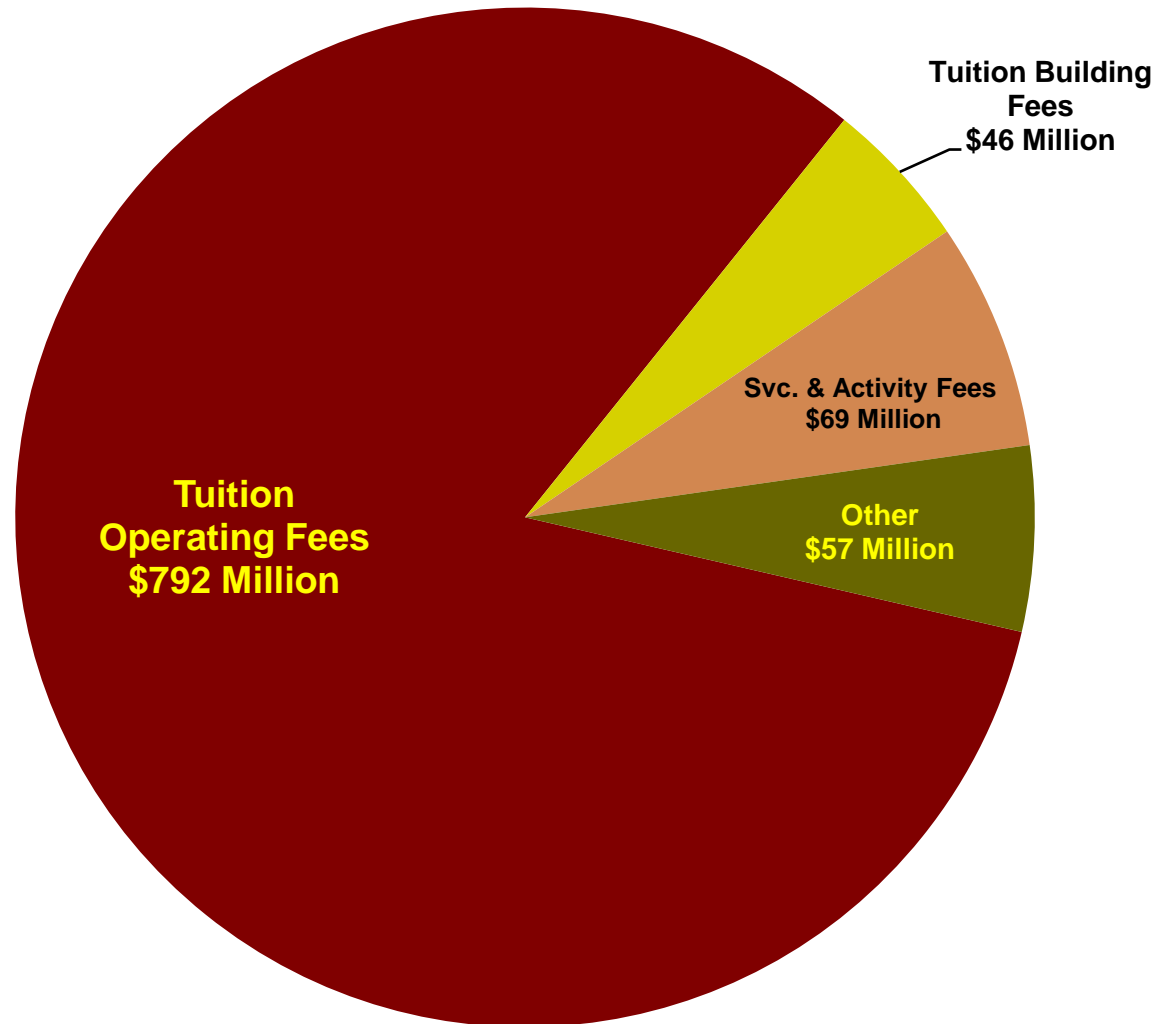


# Potential 2009-11 Decisions on Enrollment Growth & Degree Production

- If total enrollment levels are likely to be reduced, should the Legislature prioritize state funding for some programs over others?
  - For example,
    - *Undergrads vs. Grads?*
    - *High employer demand fields vs. others?*
    - *CTC workforce training vs. academic vs. basic skills?*
- Should the Legislature specify minimum expected enrollment levels and/or degree production targets?
  - If so,
    - *In which fields, or across all of them?*
    - *At what levels?*
    - *With what consequences if targets are not met, or are exceeded?*

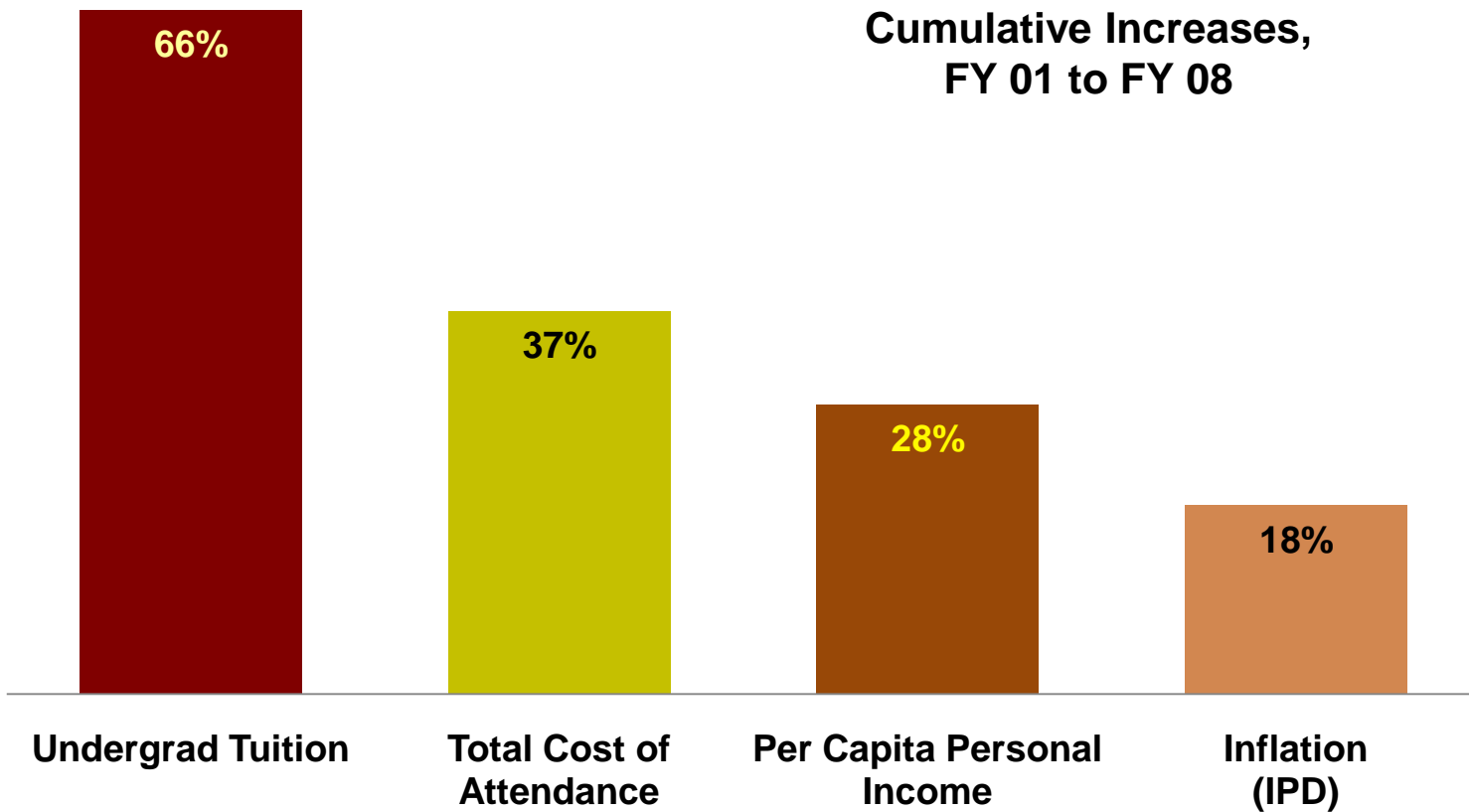
# **TUITION TRENDS & ISSUES**

**State-supported\* students at the public institutions paid about \$1 billion of tuition and fees last year.**

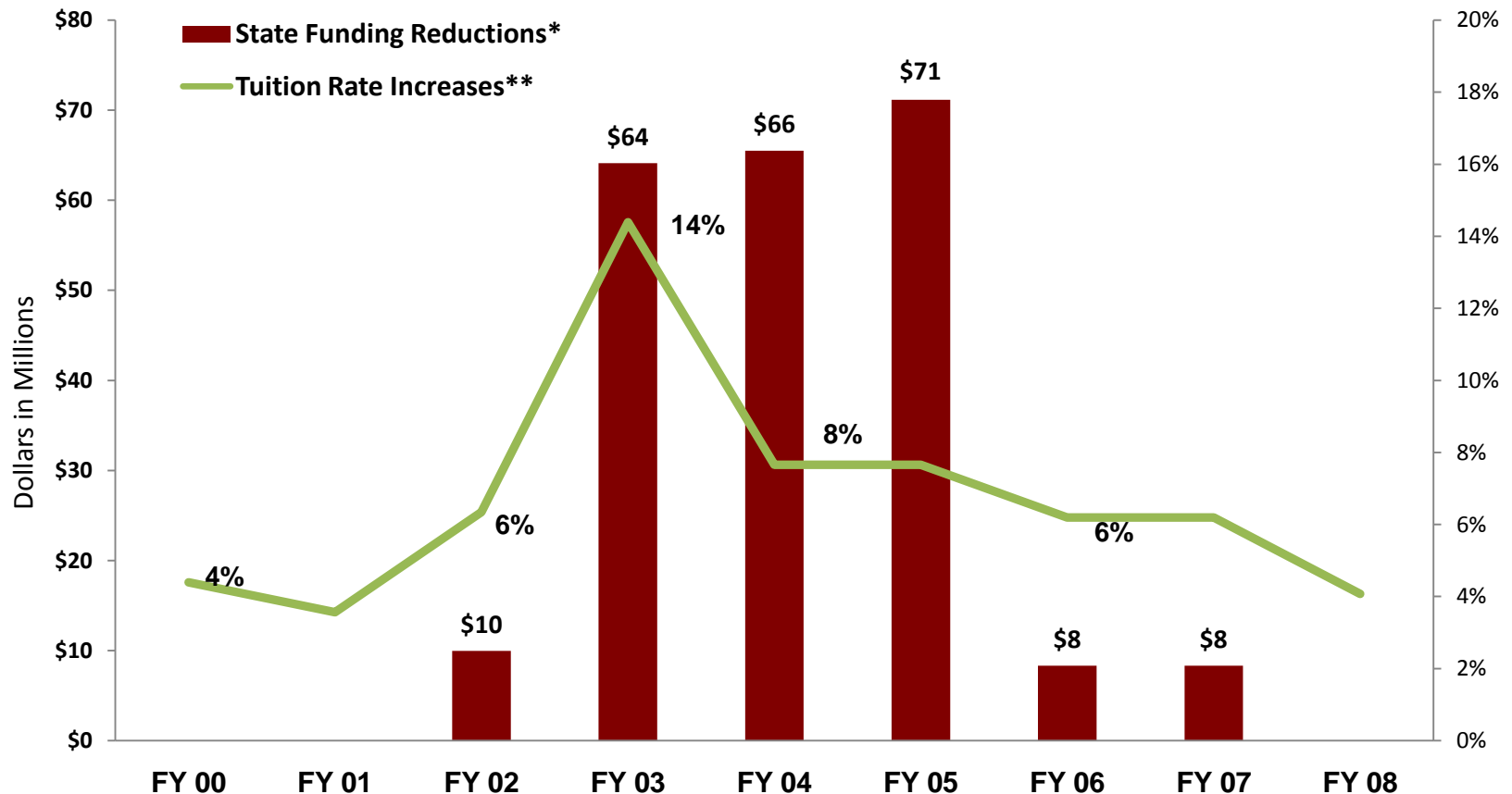


\*Does not include students in summer term, continuing education, and other fully fee-supported courses.

**Resident undergraduate tuition has increased faster than inflation, income, and the total cost of attendance over the past 8 years.**



Tuition increases have typically been used to offset reductions in state support in bad economic times, and for inflationary and discretionary increases in good ones.



\* Across-the-board reduction amounts only. Does not include enrollment, compensation, or other increases in state funding.

\*\* Increase in resident undergraduate tuition rates averaged across students in all sectors.

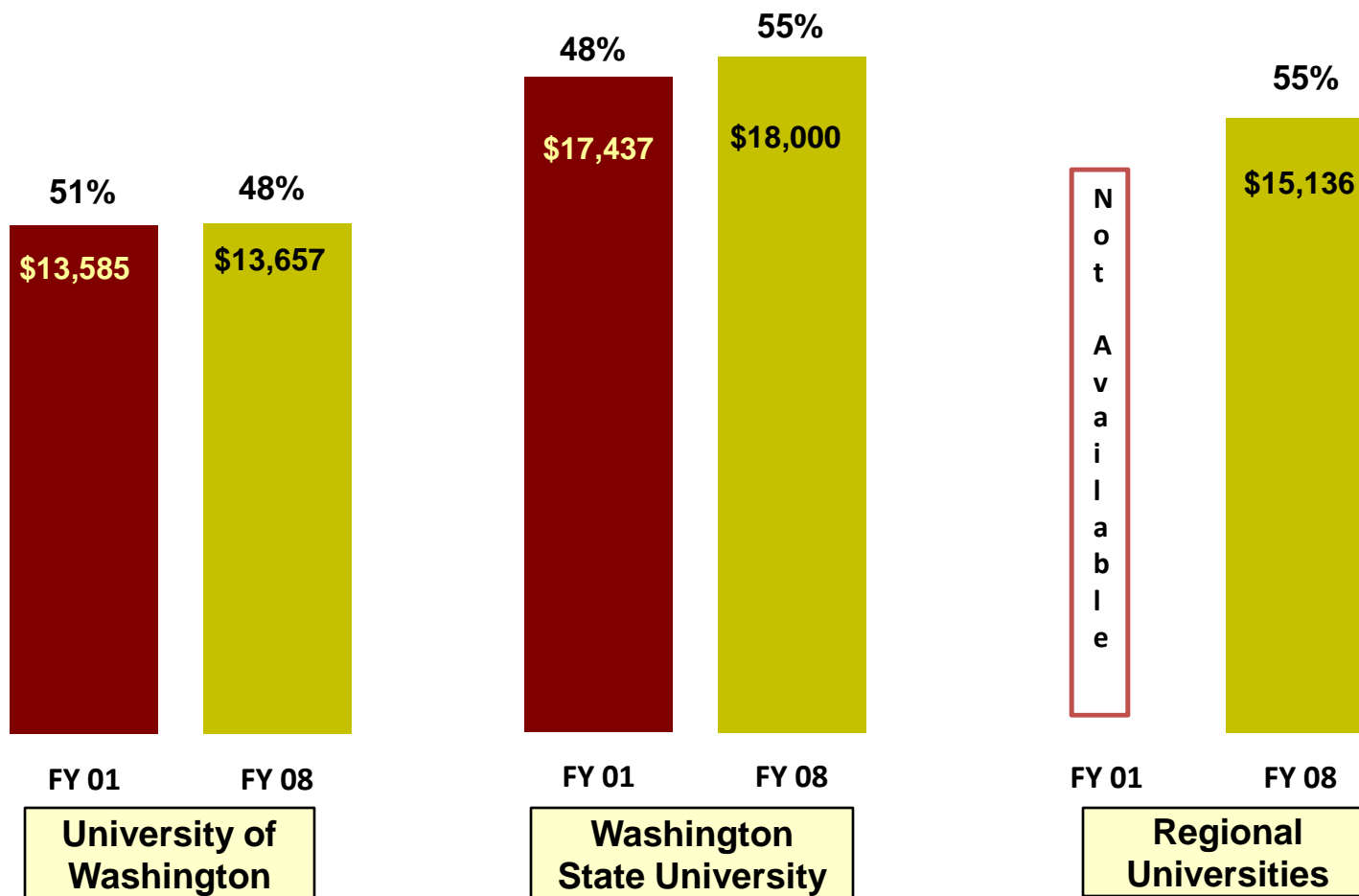
**Despite these increases, Washington tuition rates are generally lower than at comparable institutions in other states, and growing more slowly.**

	University of Washington	Washington State University	Regional Universities	Community Colleges
<b>FY 08 Resident Undergraduate Tuition</b>	<b>\$5,842</b>	<b>\$5,812</b>	<b>\$4,071</b>	<b>\$2,408</b>
Difference from National Average	-11%	-15%	-17%	-2%
Difference from "Global Challenge State" * Average	-28%	-26%	-28%	1%
<b>Cumulative FY 04 - 08 Increase in Resident Undergrad Tuition</b>	<b>29%</b>	<b>30%</b>	<b>24%</b>	<b>25%</b>
Difference from National Average	-16%	-19%	-27%	-8%
Difference from "Global Challenge State" * Average	-28%	-18%	-26%	34%
<b>FY 08 Resident Graduate Tuition</b>	<b>\$9,116</b>	<b>\$7,072</b>	<b>\$5,994</b>	
Difference from National Average	17%	-21%	6%	
Difference from "Global Challenge State" * Average	-12%	-36%	-14%	
<b>Cumulative FY 04 - 08 Increase in Resident Graduate Tuition</b>	<b>41%</b>	<b>20%</b>	<b>17%</b>	
Difference from National Average	18%	-40%	-49%	
Difference from "Global Challenge State" * Average	-6%	-44%	-56%	

*\*"Global Challenge States" are California, Colorado, Connecticut, Maryland, Massachusetts, New Jersey, and Virginia.*

# Student loan debt is increasing, though more slowly than might be expected, given tuition increases.

Percentage of Bachelor's Degree Recipients with Debt  
and Median Student Loan Debt at Graduation



# Washington provides a broad array of financial aid programs, particularly for lower-income students.

- \$485 million in 07-09, for 14 primary programs, with 87,000 average annual recipients.
- 3 need-based programs – State Need Grant, State Work Study, & CTC Opportunity Grants – account for 90% of expenditures, and 95% of recipients.
- ~23% of all public sector resident undergrads received a Need Grant last year.
- Practice has been to increase Need Grant to fully offset impact of tuition increases.
- In 2007, among all states, Washington ranked:
  - 12<sup>th</sup> in total state aid per undergraduate student.
  - 5<sup>th</sup> in need-based aid per undergraduate.
  - 24<sup>th</sup> in the percentage of students receiving direct state aid.



# Some Key 2009 Tuition & Financial Aid Decisions

- Should resident undergraduate tuition be increased more than proposed by the Governor to offset probable reductions in state funding, or less?
- Should institutions be authorized to increase other fees covered by I-960?
- To what extent should need-based aid programs be increased to offset tuition increases?
- Should eligibility for need-based aid be reduced?
- Should the Legislature pursue development of a more income-based tuition policy?